

SECTION 1

Consolidated Financial Statements of

CITY OF GREATER SUDBURY

Year ended December 31, 2004

CITY OF GREATER SUDBURY

Financial Statements Index

(in thousands of dollars)

Year ended December 31, 2004

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AUDITORS' REPORT

To the Members of Council
Inhabitants and Ratepayers of the
City of Greater Sudbury

We have audited the consolidated statement of financial position of the **City of Greater Sudbury** as at December 31, 2004 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



COLLINS BARROW, SUDBURY - NIPISSING LLP
Chartered Accountants



KPMG LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants

Sudbury, Canada
April 30, 2005

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Position

(in thousands of dollars)

December 31, 2004, with comparative figures for 2003

	2004	2003
Assets		
Financial Assets		
Cash and short-term investments (note 2)	\$ 93,087	\$ 74,955
Taxes receivable	10,007	12,556
Accounts receivable	23,571	30,708
Long-term investments (note 3)	24,165	24,001
Other current assets	2,109	2,366
	152,939	144,586
Non-Financial Assets		
Inventory	830	922
Investment in government business enterprises (note 17(b))	78,366	77,110
	79,196	78,032
	\$ 232,135	\$ 222,618
Liabilities		
Accounts payable and accrued liabilities	\$ 41,105	\$ 41,397
Employee benefit obligations (note 4)	37,492	36,347
Accrued interest on liabilities	76	116
Deferred revenue (note 5)	9,252	8,295
Solid waste management facility liability (note 6)	6,215	3,644
Long-term liabilities (note 7)	35,369	26,267
	129,509	116,066
Municipal Position		
Fund Balances:		
Current (note 8)	116	89
Capital (note 8)	37,592	35,102
Reserves and reserve funds (note 8)	63,754	60,625
Equity in government business enterprises (note 17(b))	78,366	77,110
	179,828	172,926
Amounts to be recovered (note 9):		
From reserves and reserve funds on hand	(5,362)	(5,102)
From future revenues	(71,840)	(61,272)
	(77,202)	(66,374)
Municipal Position	102,626	106,552
Contractual obligations and commitments (note 12)		
	\$ 232,135	\$ 222,618

The accompanying notes are an integral part of this financial statement.

CITY OF GREATER SUDBURY

Consolidated Statement of Financial Activities

(in thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Transfer payments	\$ 176,787	\$ 178,492
Taxation	145,232	132,826
User charges	79,576	74,333
Investment	7,854	8,551
Fines and penalties	4,891	4,832
Other	9,934	9,835
Share in government business enterprises loss (note 17(b))	(139)	(571)
	424,135	408,298
Expenditures:		
Current:		
General government	17,087	14,753
Protection to persons and property	53,037	49,270
Transportation services	39,140	37,121
Environmental services	43,518	37,231
Health services	18,664	17,585
Social and family services	136,043	130,651
Social housing	25,604	25,692
Recreation and cultural services	26,058	25,151
Planning and development	8,644	7,097
	367,795	344,551
Capital:		
General government	2,746	24,428
Protection to persons and property	3,574	1,636
Transportation services	18,947	19,623
Environmental services	18,774	23,196
Health services	758	1,698
Social and family services	9,051	8,493
Social housing	2,310	2,182
Recreation and cultural services	1,656	1,579
Planning and development	2,622	1,063
	60,438	83,898
	428,233	428,449
Deficiency of revenues over expenditures	(4,098)	(20,151)
Debentures issued	10,000	17,300
Debt principal repayments	(2,404)	(2,155)
Employee benefits and other liabilities	1,146	2,855
Solid waste management facility liability	2,571	(3,585)
Capital lease obligations	(313)	160
	11,000	14,575
Increase (decrease) in fund balances	6,902	(5,576)
Fund balances, beginning of year	172,926	178,502
Fund balances, end of year	\$ 179,828	\$ 172,926

The accompanying notes are an integral part of this financial statement.

CITY OF GREATER SUDBURY

Consolidated Statement of Cash Flows

(in thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash flows from operating activities:		
Deficiency of revenues over expenditures	\$ (4,098)	\$ (20,151)
Changes in non-cash working capital:		
Inventory	92	518
Deferred revenue	958	305
Accounts and taxes receivable	9,686	(3,540)
Employee benefit obligations	1,145	2,855
Other current assets	257	(154)
Accounts payable and accrued liabilities	(292)	564
Solid waste management facility liability	2,571	(3,585)
	10,319	(23,188)
Cash flows from financing activities:		
Debt principal repayments	(2,404)	(2,155)
Debt acquired	11,950	17,300
Capital lease obligations	(313)	160
	9,233	15,305
Cash flows from investing activities:		
Long-term investments	(164)	50
Investment in government business enterprises	(1,256)	(824)
	(1,420)	(774)
Net increase (decrease) in cash	18,132	(8,657)
Cash and short-term investments, beginning of year	74,955	83,612
Cash and short-term investments, end of year	\$ 93,087	\$ 74,955

The accompanying notes are an integral part of this financial statement.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

The City of Greater Sudbury is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the City of Greater Sudbury (the "City") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adjusted by the City are as follows:

(a) Reporting entity:

(i) Consolidated Entities:

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards and entities include:

Greater Sudbury Housing Corporation
City of Greater Sudbury Community Development Corporation
Greater Sudbury Police Services Board
Metro Centre Management Board
Flour Mill Business Improvement Area
Greater Sudbury Public Library Board
Greater Sudbury Heritage Museum Advisory Board
Various Cemetery Boards

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(ii) Related Entities:

These consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenditures and the activities of the following boards and enterprises which are not under the control of Council:

Nickel District Conservation Authority
Sudbury & District Health Unit

The following contributions were made by the City to these entities:

	2004	2003
Nickel District Conservation Authority	\$ 429	606
Sudbury & District Health Unit	5,969	5,710
	\$ 6,398	6,316

(iii) Equity Accounting:

Government business enterprises comprised of the Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. ("GSU"), Sudbury Community Development Corporation ("SCDC") and the Sudbury Airport Community Development Corporation ("SACDC"), are accounted for by the modified equity method.

Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City and inter-organization transactions and balances are not eliminated.

(iv) Accounting for School Board transactions:

The taxation, other revenues, expenditures, assets and liabilities of Le Conseil Scolaire Du District Catholique De Nouvel-Ontario, Sudbury Catholic District School Board, Rainbow District School Board, Conseil Scolaire Du District Du Grand Nord De L'Ontario, are not reflected in these financial statements.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(b) Fund Accounting:

Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers among funds are recorded as adjustments to the appropriate municipal fund balance.

Trust funds and their related operations administered by the City are not included in these financial statements but are reported on separately on the Trust Funds financial statements.

(c) Basis of Accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(d) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

(e) Capital Assets:

The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of operations and fund balances in the year of acquisition.

(f) Inventory:

Inventory is valued at the lower of cost and replacement cost.

(g) Pensions and Employee Benefits:

The City accounts for its participation in the Ontario Municipal Employee Retirement Fund (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the City's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2004

1. Significant accounting policies (continued):

(h) Deferred Revenue - Obligatory Reserve Funds:

The City receives certain subdivider contributions and other revenues under the authority of provincial legislation and City by-laws. These funds, by their nature, are restricted in their use and, until applied to specific expenditures, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(i) Amounts to be recovered:

Amounts to be recovered makes up part of the Municipal position, which includes balances for accrued interest on long-term debt, outstanding long-term liabilities, liability for solid waste management facility liability and liabilities for employee benefits.

(j) Taxation and Related Revenues:

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes.

The legislation limits assessment-related increases in property tax bills to five per cent annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

2. Short-term investments:

The short-term investments consisting of cash, term deposits, bonds and treasury bills earn rates of return ranging from 2.3% to 7.2% per annum and amount to \$77,642 (2003 - \$61,558) which are recorded at cost adjusted for amortization of discount or premium, have a market value of \$78,176 (2003 - \$62,444) at the end of the year. Cash other than short-term investments earn a competitive rate of return while on deposit.

3. Long-term investments:

Details of the long-term investments are as follows:

	2004	2003
Term deposits and bonds	\$ 22,215	24,001
Loan receivable	1,350	—
Shares in private Ontario corporation	600	—
	\$ 24,165	24,001

The loan receivable is due in annual instalments of \$500,000 commencing 2008, bears interest only in the event of default of the borrower and is secured by the general assets of borrower, subject to a postponement to a third party.

The term deposits and bonds earn rates of return ranging from 2.3% to 6.3% per annum and are recorded at cost adjusted for amortization of discount or premium, have a market value of \$31,983 (2003 - \$25,126).

The shares consists of 600,000, Class A, non-voting, non-participating, redeemable, preferences shares and 2,000 Class C, non-voting participating shares that are recorded at cost.

4. Employee benefit obligations:

Details of the obligations are as follows:

	2004	2003
Future payments required to WSIB	\$ 1,177	1,253
Accumulated sick leave benefit	7,853	7,545
Other post-employment benefits	19,145	18,538
Vacation pay	9,317	9,011
	\$ 37,492	36,347

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2004

4. Employee benefit obligations (continued):

The City has established reserve funds in the amount of \$5,362 to mitigate the future impact of these obligations.

- (i) The City has elected to be a Schedule 2 employer under the provisions of the Workplace Safety and Insurance Board Act, and as such, remits payments to the WSIB only as required to fund disability payments.
- (ii) Accumulated sick leave benefits accrue to certain employees of the City and are paid out either on approved retirement, or upon termination or death.
- (iii) Other post employment benefits represent the City's share of the cost to provide certain employees with extended benefits upon early retirement.
- (iv) The following table sets out the results as determined by the actuarial valuation completed in April 2005 for each of the plans, as at December 31, 2004.

	WSIB	Sick Leave	Other Post Employment Benefits	2004 Total	2003 Total
Accrued benefit liability, beginning of year (as restated for actuarial adjustments)	\$ 698	6,075	23,640	30,413	27,551
Benefit cost	544	372	671	1,587	3,401
Interest cost	56	367	1,385	1,808	1,641
Benefit payments	(614)	(308)	(1,813)	(2,735)	(2,180)
Actuarial loss (gain)	410	87	1,287	1,784	—
Accrued benefit liability, end of year	1,094	6,593	25,170	32,857	30,413
Unamortized gain (loss)	83	1,260	(6,025)	(4,682)	(3,077)
	\$ 1,177	7,853	19,145	28,175	27,336

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Sick Leave	Other Post Employment Benefits
Expected inflation rate	3%	3%	3%
Expected level of salary increases	N/A	3%	N/A
Interest discount rate	6%	6%	6%

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

5. Deferred revenue:

Deferred revenue consists of:

	2004	2003
Deferred revenue - other	\$ 5,341	4,860
Deferred revenue - obligatory reserve funds	3,911	3,435
	\$ 9,252	8,295

6. Solid waste landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Province of Ontario's average long-term borrowing rate of 3.95% (2003 - 6.03%) minus an inflation rate of 1.83% (2003 - 1.85%) (10-year average of CPI from 1995 to 2004). The estimated total landfill closure and post-closure care expenditures are calculated to be \$10,679 (2003 - \$5,697). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2004 an amount of \$6,215 (2003 - \$3,644) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the Sudbury landfill site is 54% (4,183,000 cubic meters) of its total estimated capacity and its estimated remaining life is 49 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Walden landfill site is 13% (54,600 cubic meters) of its total estimated capacity and its estimated remaining life is 12 years, after which the period for post-closure care is estimated to be 25 years.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)

Year ended December 31, 2004

6. Solid waste landfill closure and post-closure liability (continued):

The estimated remaining capacity of the Valley East landfill site is 49% (973,000 cubic meters) of its total estimated capacity and its estimated remaining life is 30 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Rayside-Balfour landfill site is 64% (1,091,000 cubic meters) of its total estimated capacity and its estimated remaining life is 47 years, after which the period for post-closure care is estimated to be 25 years.

7. Long-term liabilities:

Long-term liabilities reported on the consolidated statement of financial position consist of the following:

	2004	2003
Debtentures	\$ 26,449	16,945
Capital lease obligations	771	1,215
Other loans	8,149	8,107
	\$ 35,369	26,267

The principal payments are due as follows:

	2005 to 2009	2010 to 2014	2015 and thereafter	2004 Total	2003 Total
From general municipal revenues	\$ 9,068	6,187	15,862	31,117	23,869
From benefiting landowners	2,303	—	—	2,303	2,398
From others	1,399	550	—	1,949	2,398
	\$ 12,770	6,737	15,862	35,369	26,267

8. Fund balances:

(a) Current fund:

The current fund balances are comprised of the following:

	2004	2003
- to be applied to the operations of the current fund (excluding local boards)	\$ —	—
- to be applied to operations of local boards and entities	116	89
	\$ 116	89

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

8. Fund balances (continued):

(b) Capital fund:

The capital fund balance is comprised of the following:

	2004	2003
Funds available for capital projects not fully complete on December 31	\$ 49,296	43,453
Unfinanced capital outlay to be recovered through taxation or user charges	(11,704)	(8,351)
	<u>\$ 37,592</u>	<u>35,102</u>

The unfinanced capital outlay will be funded through general municipal revenues recovered within the term of Council in the amount of \$10,954 with the remainder, \$750, raised through taxation and user charges beyond the current term of Council over a five-year period 2007 to 2012.

(c) Reserves and reserve funds:

The reserves and reserve funds consists of:

	2004	2003
Reserves set aside for specific purposes by Council for:		
Tax rate stabilization	\$ 391	816
Other purposes	1,465	3,981
Sanitary sewer and waterworks	307	308
Recreation and cultural services	270	355
Health services	92	—
Planning and development	87	70
Ontario works	1,334	2,107
	<u>3,946</u>	<u>7,637</u>
Reserve funds set aside for specific purposes by Council for:		
WSIB claims	2,467	3,669
Insurance	1,940	2,310
Capital expenditures	30,814	28,832
Health Services	70	—
Social and family services	1,508	428
Equipment replacement	4,727	4,384
Sick leave	3,796	2,333
Other purposes	5,822	3,160
Transportation services	6,083	5,972
Economic development	2,581	1,900
	<u>59,808</u>	<u>52,988</u>
	<u>\$ 63,754</u>	<u>60,625</u>

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

9. Amounts to be recovered:

Amounts to be recovered represent liabilities established for accrual accounting purposes. In some cases, reserves and reserve funds have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. Net increase in amounts to be recovered is \$10,828 (2003 - \$14,645).

	2004	2003
Capital lease obligations	\$ 771	1,215
Long-term liabilities	34,598	25,052
Employee benefit obligations	37,492	36,347
Accrued interest payable on long-term liabilities	76	116
Solid waste management facility liability	6,215	3,644
	79,152	66,374
Less: long-term investments	(1,950)	-
	\$ 77,202	66,374

Reserves and reserve funds in the amount of \$5,362 (2003 - \$5,102) have been established to mitigate the impact of these future obligations.

10. Operations of school boards:

Further to note 1(a) (iv), the taxation, other revenues and expenditures of the school boards are comprised of the following:

	2004	2003
Taxation	\$ 48,890	49,945
Payments in lieu of taxes	198	171
	\$ 49,088	50,116

11. Contractual obligations and commitments:

(a) Work in progress:

The balance of work uncompleted under contracts in progress at December 31, 2004 amounts to approximately \$10,857 (2003 - \$21,513). The proposed financing of these obligations is \$8,706 from contributions from own funds, \$469 from provincial grants and \$1,682 through proceeds from reserves.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

11. Contractual obligations and commitments (continued):

(b) Contracts for services:

The City has entered into contracts with third parties to provide services to the City. The minimum anticipated payments under these contracts are as follows:

2005	\$	9,990
2006		5,533
2007		2,310
2008		900
2009		513
	\$	19,246

(c) Contingent liabilities:

As at December 31, 2004, certain legal actions are pending against the City. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate. Should any loss result from the resolution of these matters, such loss would be charged to operations in the year of disposition.

(d) Sudbury Regional Hospital:

The City has committed to provide a contribution of \$1,000 per annum to the Sudbury Regional Hospital until 2023.

12. Pension agreement:

The Municipality matches contributions made by the employees to OMERS, which is a multi-employer plan. This plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Effective August 1, 1998, OMERS declared a contribution holiday for both employees and employers, which temporarily suspended payment to the plan, until December 31, 2002. The resumption of contribution rates has been phased in over a two-year period beginning in 2003 at 33% and then 100% in 2004. The amount contributed to OMERS in 2004 was \$5,983 (2003 - \$1,900).

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

13. Budget figures:

Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over several years. Current revenue fund budgets are affected on an ongoing basis, depending on when various government programs become available to the City. Accordingly, the budgets are not directly comparable with current year actual amounts and therefore, budgets have not been reflected on the consolidated statement of financial activities.

14. Provincial offences administration (POA):

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operation of the POA office have been consolidated with these financial statements.

15. Expenditures by object:

As required by Section 1700 of the Public Sector Accounting Board reporting requirements, these financial statements report on expenditures by functions. The City's expenditures by object are as follows:

	2004	2003
Current operations:		
Salaries, wages and benefits	\$ 143,033	134,485
Long-term debt charges	1,381	1,266
Materials, services, rents and financial items	122,289	110,935
Transfers to other governments and the public	101,092	97,865
	367,795	344,551
Capital:		
Materials, services, rents and financial items	60,438	83,898
	\$ 428,233	428,449

16. Trust funds:

Trust funds amounting to \$7,985 (2003 - \$7,376) and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds balance sheet and Trust Funds statement of continuity.

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

17. Investment in government business enterprises:

The Sudbury Airport Community Development Corporation ("SACDC"), Greater Sudbury Utilities Inc. ("GSU") and Sudbury Community Development Corporation ("SCDC") are owned and controlled by the City of Greater Sudbury. As these corporations are business enterprises of the City, they are accounted for on a modified equity basis in these consolidated financial statements.

(a) The following table provides condensed supplementary financial information for the year ending December 31, 2004:

	SACDC	GSU	SCDC	2004 Total	2003 Total
Financial Position					
Current assets	\$ 759	30,198	71	31,028	21,838
Capital assets	7,465	65,465	2,076	75,006	75,235
Other assets	15	3,435	–	3,450	4,399
Total assets	8,239	99,098	2,147	109,484	101,472
Current liabilities	423	14,335	139	14,897	11,563
Note payable to the City of Greater Sudbury	238	52,341	–	52,579	52,831
Other long-term liabilities	3,326	14,832	2,008	20,166	15,098
Total liabilities	3,987	81,508	2,147	87,642	79,492
Net assets	\$ 4,252	17,590	–	21,842	21,980
Results of operations:					
Revenue	\$ 2,911	79,631	534	83,076	79,116
Operating expenses	(2,627)	(76,242)	(534)	(79,403)	(75,503)
Interest paid to the City of Sudbury	(12)	(3,800)	–	(3,812)	(3,795)
Net income (loss)	\$ 272	(411)	–	(139)	(182)

CITY OF GREATER SUDBURY

Notes to Consolidated Financial Statements

(in thousands of dollars)
Year ended December 31, 2004

17. Investment in government business enterprises (continued):

(b) The investment at December 31, 2004 consists of the following:

	SACDC	GSU	2004 Total	2003 Total
Balance, beginning of year	\$ 3,980	73,130	77,110	76,286
City's share of operating income (loss) for the year	272	(411)	(139)	(182)
Proceeds from sale transferred to operations	—	—	—	(100)
Loss on sale of investment	—	—	—	(289)
	272	(411)	(139)	(571)
Investment	—	1,395	1,395	1,395
	272	984	1,256	824
Balance, end of year	\$ 4,252	74,114	78,366	77,110

18. Comparative figures:

Certain 2003 comparative figures have been reclassified to conform with the presentation adopted in 2004.

CITY OF GREATER SUDBURY

Schedule of Current Fund Operations and Net Equity in Government Business Enterprises

(in thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Taxation	\$ 145,232	\$ 132,826
Fines and penalties	4,891	4,832
User charges	79,576	74,333
Transfer payments	169,614	164,702
Investment	6,351	6,786
Other	8,414	8,780
Government business enterprises loss (note 17(b))	(139)	(571)
	<u>413,939</u>	<u>391,688</u>
Expenditures:		
General government	17,087	14,753
Protection to persons and property	53,037	49,270
Transportation services	39,140	37,121
Environmental services	43,518	37,231
Health services	18,664	17,585
Social and family services	136,043	130,651
Social housing	25,604	25,692
Recreation and cultural services	26,058	25,151
Planning and development	8,644	7,097
	<u>367,795</u>	<u>344,551</u>
Net revenues	<u>46,144</u>	<u>47,137</u>
Transfers to other funds:		
Transfer to capital fund	(36,051)	(35,630)
Transfer to reserves and reserve funds	(10,123)	(7,747)
	<u>(46,174)</u>	<u>(43,377)</u>
Solid waste management facility liability	2,571	(3,585)
Employee benefits and other liabilities	1,146	2,855
Debt principal repayments	(2,404)	(2,155)
	<u>(44,861)</u>	<u>(46,262)</u>
Increase in fund balance	<u>\$ 1,283</u>	<u>\$ 875</u>

The accompanying notes are an integral part of this financial statement.

CITY OF GREATER SUDBURY

Schedule of Capital Fund

(in thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Transfer payments	\$ 7,173	\$ 13,790
Other	1,451	1,037
	<u>8,624</u>	<u>14,827</u>
Expenditures:		
General government	2,746	24,428
Protection to persons and property	3,574	1,636
Transportation services	18,947	19,623
Environmental services	18,774	23,196
Health services	758	1,698
Social and family services	9,051	8,493
Social housing	2,310	2,182
Recreation and cultural services	1,656	1,579
Planning and development	2,622	1,063
	<u>60,438</u>	<u>83,898</u>
Net expenditures	(51,814)	(69,071)
Transfers from other funds:		
Transfer from current fund	36,051	35,630
Transfer from reserves and reserve funds	8,566	11,936
	<u>44,617</u>	<u>47,566</u>
Capital lease obligations	(313)	160
Debentures issued	10,000	17,300
	<u>54,304</u>	<u>65,026</u>
Increase (decrease) in fund balance	\$ 2,490	\$ (4,045)

The accompanying notes are an integral part of this financial statement.

CITY OF GREATER SUDBURY

Schedule of Reserves and Reserve Funds

(in thousands of dollars)

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenues:		
Investment	\$ 1,503	\$ 1,765
Other	69	18
	<u>1,572</u>	<u>1,783</u>
Transfers (to) from other funds:		
Transfers from current fund	10,123	7,747
Transfers to reserves and reserve funds	(8,566)	(11,936)
	<u>1,557</u>	<u>(4,189)</u>
Increase (decrease) in fund balance	\$ 3,129	\$ (2,406)

The accompanying notes are an integral part of this financial statement.